

SEVERANCE TAX AMENDMENTS

2013 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Nielson

Senate Sponsor: _____

LONG TITLE

General Description:

This bill amends provisions related to severance taxes to address the crediting of certain severance tax revenue into the General Fund and the permanent state trust fund.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ provides that certain severance tax revenue be deposited into the General Fund and the permanent state trust fund; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect on July 1, 2013.

Utah Code Sections Affected:

AMENDS:

35A-8-1608, as renumbered and amended by Laws of Utah 2012, Chapter 212

51-9-305, as last amended by Laws of Utah 2011, Chapter 239

59-5-115, as last amended by Laws of Utah 2008, Chapter 141

59-5-116, as last amended by Laws of Utah 2012, Chapter 212

59-5-119, as last amended by Laws of Utah 2012, Chapter 212



28 **59-5-215**, as last amended by Laws of Utah 2008, Chapter 141

29

30 *Be it enacted by the Legislature of the state of Utah:*

31 Section 1. Section **35A-8-1608** is amended to read:

32 **35A-8-1608. Deposits into fund.**

33 (1) [~~All money received~~] Money required to be deposited into the Uintah Basin
34 Revitalization Fund under Section 59-5-116 shall be deposited [~~in~~] into the Uintah Basin
35 Revitalization Fund [~~provided that no~~] if a business or activity fee or tax based on gross
36 receipts has not been imposed by a county or the Tribe on oil and gas activities.

37 (2) (a) Nothing in this section prohibits a county from imposing a charge described in
38 Subsection (1) with respect to any gathering, transmission, or local distribution pipeline in
39 which the county owns an interest.

40 (b) Nothing in this section prohibits the Tribe from imposing a charge described in
41 Subsection (1) with respect to any gathering, transmission, or local distribution pipeline in
42 which the Tribe owns an interest.

43 Section 2. Section **51-9-305** is amended to read:

44 **51-9-305. Deposit and credit of certain severance tax revenue.**

45 (1) As used in this section:

46 (a) "Aggregate annual revenue" means the aggregate annual revenue collected in a
47 fiscal year from the taxes imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and
48 Mining, after subtracting the amounts required to be distributed under Sections 59-5-116 and
49 59-5-119.

50 (b) "Severance tax base deposit amount" means the following aggregate annual
51 revenue required to be deposited annually, beginning on July 1, 2016, into the permanent state
52 trust fund under Utah Constitution Article XXII, Section 4:

53 (i) 25% of the first \$50,000,000 of aggregate annual revenue;

54 (ii) 50% of the next \$50,000,000 of aggregate annual revenue; and

55 (iii) 75% of the aggregate annual revenue that exceeds \$100,000,000.

56 [~~(1)(a)~~] (2) After making the [~~distributions~~] deposits of oil and gas severance tax
57 [~~revenues~~] revenue as required under Sections 59-5-116 and 59-5-119, the Division of Finance
58 shall make the [~~distributions~~] credits required under Subsections [~~(2) through (5)~~] (3) and (4).

59 ~~[(b) For purposes of this section, revenue collected from severance taxes on oil and gas~~
60 ~~imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, does not include~~
61 ~~revenue that is distributed under Section 59-5-116 or 59-5-119.]~~

62 ~~[(2) (a) Beginning with fiscal year 2008-09 and ending with fiscal year 2010-11, if~~
63 ~~authorized by law, the Division of Finance shall credit to the permanent state trust fund all~~
64 ~~revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59,~~
65 ~~Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$71,000,000.]~~

66 ~~[(b) Beginning with fiscal year 2011-12, if authorized by law, the Division of Finance~~
67 ~~shall credit to the permanent state trust fund all revenue collected in a fiscal year from~~
68 ~~severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas,~~
69 ~~and Mining, that exceed \$77,000,000.]~~

70 ~~[(3) Beginning with fiscal year 2008-09, if authorized by law, the Division of Finance~~
71 ~~shall credit to the permanent state trust fund all revenue collected in a fiscal year from~~
72 ~~severance taxes on mining imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and~~
73 ~~Mining, that exceed \$27,600,000.]~~

74 (3) To the extent appropriated by the Legislature, the Division of Finance shall credit to
75 the permanent state trust fund the aggregate annual revenue:

76 (a) for fiscal year 2013-14, equal to 25% of the severance tax base deposit amount;

77 (b) for fiscal year 2014-15, equal to 50% of the severance tax base deposit amount; and

78 (c) for fiscal year 2015-16, equal to 75% of the severance tax base deposit amount.

79 (4) Beginning on July 1, 2016, the Division of Finance shall credit to the permanent
80 state trust fund the severance tax base deposit amount.

81 ~~[(4)] (5) The state treasurer shall invest and separately account for the earnings on~~
82 ~~funds that are [deposited into] credited to the permanent state trust fund under this section.~~

83 ~~[(5)] (6) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest~~
84 ~~and dividends earned annually on revenue from severance taxes that are [deposited into]~~
85 ~~credited to the permanent state trust fund shall be [deposited in] credited to the General Fund.~~

86 (b) Interest and dividends earned on revenue from severance taxes that are ~~[deposited~~
87 ~~in] credited to the General Fund pursuant to Subsection [(5)] (6)(a) shall be credited to the~~
88 ~~Infrastructure and Economic Diversification Investment Account created in Section 51-9-303.~~

89 Section 3. Section **59-5-115** is amended to read:

90 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

91 ~~[All taxes]~~ Except as provided in Section 51-9-305, 59-5-116, or 59-5-119, a tax
92 imposed and collected under Section 59-5-102 shall be paid to the commission, promptly
93 remitted to the state treasurer, and ~~[except those taxes otherwise allocated under Section~~
94 ~~51-9-305, 59-5-116, or 59-5-119,]~~ credited to the General Fund.

95 Section 4. Section **59-5-116** is amended to read:

96 **59-5-116. Disposition of certain taxes collected on Ute Indian land.**

97 (1) Except as provided in Subsection (2), there shall be deposited into the Uintah Basin
98 Revitalization Fund established in Section 35A-8-1602:

99 (a) for taxes imposed under this part, 33% of the taxes collected on oil, gas, or other
100 hydrocarbon substances produced from a well:

101 (i) for which production began on or before June 30, 1995; and

102 (ii) attributable to interests:

103 (A) held in trust by the United States for the Tribe and its members; or

104 (B) on lands identified in Pub. L. No. 440, 62 Stat. 72 (1948);

105 (b) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other
106 hydrocarbon substances produced from a well:

107 (i) for which production began on or after July 1, 1995; and

108 (ii) attributable to interests:

109 (A) held in trust by the United States for the Tribe and its members; or

110 (B) on lands identified in Pub. L. No. 440, 62 Stat. 72 (1948); and

111 (c) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other
112 hydrocarbon substances produced from a well:

113 (i) for which production began on or after January 1, 2001; and

114 (ii) attributable to interests on lands conveyed to the tribe under the Ute-Moab Land
115 Restoration Act, Pub. L. No. 106-398, Sec. 3303.

116 (2) (a) The maximum amount deposited in the Uintah Basin Revitalization Fund may
117 not exceed:

118 (i) \$3,000,000 in fiscal year 2005-06;

119 (ii) \$5,000,000 in fiscal year 2006-07;

120 (iii) \$6,000,000 in fiscal years 2007-08 and 2008-09; and

121 (iv) for fiscal years beginning with fiscal year 2009-10, the amount determined by the
122 commission as described in Subsection (2)(b).

123 (b) (i) The commission shall increase or decrease the dollar amount described in
124 Subsection (2)(a)(iii) by a percentage equal to the percentage difference between the consumer
125 price index for the preceding calendar year and the consumer price index for calendar year
126 2008; and

127 (ii) after making an increase or decrease under Subsection (2)(b)(i), round the dollar
128 amount to the nearest whole dollar.

129 (c) For purposes of this Subsection (2), "consumer price index" is as described in
130 Section 1(f)(4), Internal Revenue Code, and defined in Section (1)(f)(5), Internal Revenue
131 Code.

132 (d) Any amounts in excess of the maximum described in Subsection (2)(a) shall be
133 ~~[deposited into the General Fund]~~ credited as provided in Sections 51-9-305 and 59-5-115.

134 Section 5. Section 59-5-119 is amended to read:

135 **59-5-119. Disposition of certain taxes collected on Navajo Nation land located in**
136 **Utah.**

137 (1) Except as provided in Subsection (2), there shall be deposited into the Navajo
138 Revitalization Fund established in Section 35A-8-1704 for taxes imposed under this part
139 beginning on July 1, 1997:

140 (a) 33% of the taxes collected on oil, gas, or other hydrocarbon substances produced
141 from a well:

142 (i) for which production began on or before June 30, 1996; and

143 (ii) attributable to interests in Utah held in trust by the United States for the Navajo
144 Nation and its members; and

145 (b) 80% of the taxes collected on oil, gas, or other hydrocarbon substances produced
146 from a well:

147 (i) for which production began on or after July 1, 1996; and

148 (ii) attributable to interests in Utah held in trust by the United States for the Navajo
149 Nation and its members.

150 (2) (a) The maximum amount deposited in the Navajo Revitalization Fund may not
151 exceed:

152 (i) \$2,000,000 in fiscal year 2006-07; and
153 (ii) \$3,000,000 for fiscal years beginning with fiscal year 2007-08.
154 (b) Any amounts in excess of the maximum described in Subsection (2)(a) shall be
155 ~~[deposited into the General Fund]~~ credited as provided in Sections 51-9-305 and 59-5-115.
156 Section 6. Section **59-5-215** is amended to read:
157 **59-5-215. Disposition of taxes collected -- Credit to General Fund.**
158 ~~[All taxes]~~ Except as provided in Section 51-9-305, a tax imposed and collected under
159 Section 59-5-202 shall be paid to the commission, promptly remitted to the state treasurer, and
160 ~~[except those taxes otherwise allocated under Section 51-9-305,]~~ credited to the General Fund.
161 Section 7. **Effective date.**
162 This bill takes effect on July 1, 2013.

Legislative Review Note
as of 1-8-13 10:09 AM

Office of Legislative Research and General Counsel